

Memo

To: Mayor and City Council

From: Stevan E. Kvenvold 

Date: June 26, 2003

Subject: Building Permit Fees

Ron Boose is recommending that the City Council adopt a new building permit fee schedule and fees for inspections outside of normal hours, reinspections, etc. My recommendations on Ron's proposals are as follows:

1. I recommend that the City Council adopt the building permit fee schedule and miscellaneous fees as proposed.
2. I do not recommend that the Building Safety Department be established as a separate fund as proposed by Ron, at least not at this time. I do not see any immediate benefit to the department from this proposal and I would like more time to review and study the proposal.
3. If the City Council approves the new building permit fee schedules as proposed, I would recommend that such action be conditioned upon authorizing the following actions to improve the performance of the department.
 - a. Authorize the creation of an additional position of commercial plan reviewer.
 - b. Authorize additional summer temporary help to staff the front desk to free up the plans reviewers to do their plan review activities.
 - c. Authorize the investigation, with possible purchase, of a new computerized permitting system.
 - d. I do not concur with Ron's request to fill the vacant Manager of Building Inspections Division at this time. I would prefer to wait to see what occurs with the 2004 budget and anticipated 2004 building activity.

Memo

To: Stevan Kvenvold

From: Ron Boose

Date: June 26, 2003

Subject: RCO Building Safety Chapters Changes

I am proposing a number of changes to various chapters in the Code of Ordinances relating to our department. These changes occur in chapter 10 and chapters 50, 51, and 52, which all pertain to building construction codes. Proposed amendments to chapters 53 and 54, pertaining to Heating Ventilating and Air Conditioning, and chapters pertaining to the Housing Code will be brought forth at a later date.

Chapter 10. Organization and Management

I want to change the official department title from Building & Safety to Building Safety. I was told that this change was made years ago but it is not reflected in the ordinance and the department is referred to by both titles. Building Safety is the title used in the Building Code when referring to the department charged with administering the code and the title that I prefer. I think it is more descriptive of the department function. Other changes reflect current responsibilities of the department and current positions in the department. I also recommend eliminating the job descriptions that are contained in the chapter for positions other than the director. Other department organizational chapters do not establish specific positions and duties within a department for other than the director. The Human Resources Department maintains current job descriptions for all authorized city positions.

Chapter 50. Building Code

In addition to the new fee chart, I propose to eliminate the requirement for all applicants to certify their responsibility to pay city sales tax for their building materials on the application. That responsibility exists without this additional notice and I doubt this notice makes much difference if the tax gets paid or not. We need to streamline all of our application forms for ease of use and

posting on the website and I believe this extra requirement unnecessarily adds to the length and complexity of the form. I have also added some needed definitions to clarify that reference to the building official include his or her authorized representative and when re-inspection fees can be assessed.

Chapter 51. Plumbing

I propose to eliminate the Rochester Plumbing License. Our local license is redundant with the state license and serves little or no purpose. Legislation has been introduced in the past two or three session to prohibit local licensing of plumbers but has not yet passed. The State already prohibits local licensing of electricians and residential building contractors as they are licensed by the state. I suspect the prohibition of local plumbing licenses will happen in the near future. These licenses produce about \$4,000.00 in revenue yearly, which probably doesn't cover the costs associated with sending notices and issuing the licenses.

I have also eliminated references to the plumbing inspector in favor of the more generic term of building official and provided that an authorized agent can sign permit applications for the license holder. Both of these measures should expedite issuance of plumbing permits. I have also reformatted chapters 51 and 52 to make them more consistent with each other and with the administrative provisions of the State Building Code.

Chapter 52. Electrical

Proposed changes are the same as for chapter 51 except for the local license issue.

4

City of Rochester
Building Safety Department

Memo

To: Stevan Kvenvold

From: Ron Boose

Date: June 18, 2003

Subject: Building Permit Fees and Department Accounting

An increase in building permit fees appears necessary to provide adequate revenue to cover department expenses for this year. Through the end of May, revenues are slightly exceeding direct expenses, however; when overhead expenses are included as estimated for the state development fee report, department revenue is approximately \$16,000.00 below total expenses. This shortfall is occurring while the department has implemented several cost saving measures, as have all city departments. We have had one full-time position open all year, did not fill a temporary summer permit clerk position, and have cut back on professional memberships and staff training in addition to many other costs saving efforts. The current revenue situation would require the department to be subsidized by the general fund this year, a situation that has not occurred in several years and one that the city can ill afford at this time.

Building permit fees for Rochester are quite low when compared with many other jurisdictions. I have included a comparison sheet illustrating the different permit fees for a \$100,000.00 residential project and a \$500,000.00 commercial project using different model fee schedules. The State uses the fee schedule from the 1985 through 1991 Uniform Building Code for projects under their jurisdiction and most twin cities municipalities are using the 1997 schedule.

The principle purpose of building permit fees is to offset the cost of providing plan review and inspection services. The State does not limit municipalities in setting their fees other than requiring that they be set by ordinance and be "fair, reasonable, and proportionate to the actual cost of the service for which the fee is imposed." Even at our bargain prices revenues collected by our department have exceeded expenditures for the past several years. The boom in building activity over the past five years coupled with insufficient department staffing levels and a lack of investment in department technology

have allowed the department to contribute revenues to the general fund. With the addition of needed staff the difference between revenues and expenditures has been narrowing over the past two years. I have included a summary sheet of department revenues and expenses for the past eleven years, the period that we have been operating under the current fee chart. Any further decline in construction activity will result in a substantial deficit for the department and service levels for plan review and inspections remain a constant source of complaints even with the recently added department staffing.

I suggest that the Building Safety Department be established as a separate fund in conjunction with any fee increase. This would allow the department to maintain a fund balance, which would lessen the effect of future downswings in construction on the general fund. The City of Winona established their building safety division as a separate fund in 1998 and their council has set a policy of maintaining approximately one year's worth of division operating funds as a balance. Any funds accumulated above that amount are transferred to another city fund at yearend. This policy allows them to absorb a sudden drop in construction and associated permit revenue without affecting the general fund balance or requiring a sudden increase in permit fees. A sustained recession in construction would require adjustment of fees or staffing levels just as with any business, however; the dedicated fund balance allows those decisions to be made over a longer time frame and with little or no effect on other city budget issues. The separate fund balance also provides revenue for additional staff when needed or technology updates, using funds that were collected for the associated service. Council authority to establish such funds is outlined in section 11.09 of the City Charter, which specifically refers to "funds for financing self-sustaining activities."

Our department currently uses three different graduated fee schedules for computing permit fees. One for single-family and townhouse building permits, one for all other building permits, and one for all other permits i.e. electrical, plumbing, HVAC etc. I would like to simplify our fees by using the same schedule for all building permits and a straight percentage for all other permits. I believe this step would make our permit fees much easier to calculate for both our customers and our staff. It is also the method used in many other communities. The attached proposal would adopt the 85-91 fee schedule for both commercial and residential building permits. This is the same schedule that the State uses. This would result in a substantial increase in residential building permit and plan review fees. To mitigate the size of the total permit fee costs I am proposing to roll back plan review fees on these projects from 65% of the permit fee to 35%. This approach does follow logically with the work related to the different projects as commercial plans are generally more complex and time consuming but the time and effort required for inspections differs very little between commercial and residential projects of the same dollar value. The new method proposed for calculating other permit fees results in a nominal increase for projects valued

6
at \$25,000 or less and would add less than \$100 to the permit fee for a project valued at \$50,000. The permit fee for a project valued at \$5,000 would increase from \$72 to \$75. I am proposing such a slight change in these fees as they are currently substantially higher than building permit fees.

Projecting the total revenue increase generated by this proposal is very difficult. Not only does the level of construction activity vary from year to year but fees are based on each project value, and calculated on a graduated declining scale. Using permit statistics from 2002 and apply some weighted averages, I estimate this proposal could generate in the neighborhood of \$450,000 in additional revenue for the department.

Commercial and Industrial Projects

Project value	Bldg. Permit fee (current)	Plan Review Fee	Total	Bldg. Permit fee (proposed)	Plan Review Fee (proposed)	Total	increase	% increase	Fee as % of project value
\$500.00	\$15.00	\$9.75	\$24.75	\$25.00	\$16.25	\$41.25	\$16.50	66.67%	8.25%
\$2,000.00	\$30.00	\$19.50	\$49.50	\$55.00	\$35.75	\$90.75	\$41.25	83.33%	4.54%
\$10,000.00	\$86.00	\$55.90	\$141.90	\$127.00	\$82.55	\$209.55	\$67.65	47.67%	2.10%
\$25,000.00	\$191.00	\$124.15	\$315.15	\$262.00	\$170.30	\$432.30	\$117.15	37.17%	1.73%
\$50,000.00	\$316.00	\$205.40	\$521.40	\$424.50	\$275.93	\$700.43	\$179.03	34.34%	1.40%
\$100,000.00	\$516.00	\$335.40	\$851.40	\$649.50	\$422.18	\$1,071.68	\$220.28	25.87%	1.07%
\$163,000.00	\$705.00	\$458.25	\$1,163.25	\$860.00	\$559.00	\$1,419.00	\$255.75	21.99%	0.87%
\$200,000.00	\$816.00	\$530.40	\$1,346.40	\$999.50	\$649.68	\$1,649.18	\$302.78	22.49%	0.82%
\$300,000.00	\$1,116.00	\$725.40	\$1,841.40	\$1,349.50	\$877.18	\$2,226.68	\$385.28	20.92%	0.74%
\$500,000.00	\$1,716.00	\$1,115.40	\$2,831.40	\$2,049.50	\$1,332.18	\$3,381.68	\$550.28	19.43%	0.68%
\$750,000.00	\$2,216.00	\$1,440.40	\$3,656.40	\$2,799.50	\$1,819.68	\$4,619.18	\$962.78	26.33%	0.62%
\$1,000,000.00	\$2,716.00	\$1,765.40	\$4,481.40	\$3,549.50	\$2,307.18	\$5,856.68	\$1,375.28	30.69%	0.59%

1996 MN Cities Permit Fee Schedule Comparison								
Project	Current Rochester fee	Albert Lea	Austin	Brainerd	Fairmont	Fairbault	Hutchinson	Mankato
Single Family House with \$100,000 value	\$683.60	\$1,004.40	\$714.45	\$508.00	\$639.50	\$959.25	\$1,355.18	\$606.00
Commercial project with \$500,000 value	\$3,118.40	\$3,149.44	\$3,014.65	\$3,365.18	\$3,365.00	\$3,365.00	\$1,642.68	\$3,309.90
	Marshall	New Ulm	No. Mankato	Owatonna	St. Cloud	Willmar	Worthington	
Single Family House with \$100,000 value	\$639.50	\$400.00	\$606.00	\$1,055.18	\$895.30	\$895.30	\$577.50	
Commercial project with \$500,000 value	\$2,039.50	\$2,039.50	\$3,309.90	\$3,365.18	\$3,365.18	\$3,365.18	\$2,211.00	
Notes:								
1. Rochester fees include zoning certificate fee. The survey does not indicate if other cities charge a separate zoning certificate fee.								
2. This information is from 1996. We do not know if any or all of these cities have changed their fee schedules since then. Rochester has not.								

City of Rochester
Building Safety Department

Memo

To: Stevan Kvenvold

From: Ron Boose

Date: June 25, 2003

Subject: Improvement of Department Services

In response to your request for specific ways to improve department services:

1. *Current backlog of over two weeks for processing of residential plans.* This problem is caused by plan reviewers spending large amounts of time at the counter assisting owner-builders with small projects and staff vacations. The past two years, the problem occurred to some degree in late April and May but was quickly overcome when a summer temp was employed to assist at the counter for the summer months. The temp position was not filled this year due to budget concerns. We can try and find some help in this area for the rest of the summer but it is doubtful we could secure anyone with sufficient skills to be beneficial for the time remaining before school reconvenes.

2. *Continuing backlog of commercial plans awaiting review.* This problem has persisted for several years. The current waiting period for an initial review for most projects is 5 to 6 weeks. While my conversations with building officials in other jurisdictions indicate that this is not an unusually long time frame for commercial project review, it is not acceptable to most of customers and we have been trying to reduce it to 4 weeks or less with little success. We issued an RFP for contract plan review services last summer but only received one response. We did contract with that firm for a few projects but found that their fees generally exceeded our revenue for plan review on each project and the time frame was not reduced appreciably. There were also concerns expressed by other design firms regarding conflict of interest. Plan reviewers are currently working more than 40 hours a week but projects continue to be submitted at a rate that does not allow us to reduce the backlog. It appears the only solution left is additional staff. The revenue generated from the proposed fee increase should more than offset the costs of an additional plan reviewer. In addition, \$30,000 was budgeted

10

for contract plan review services for this year, which has not been encumbered.

3. *Time frames for processing of residential trade permits, coordination and scheduling of inspections, and posting of inspection results.* The solutions to these issues are the purchase of a new permit tracking software and filling the currently vacant manager's position for the building inspections division. New software could allow contractors to schedule inspections and review results via the Internet. Applications for permits that do not require plans could also be submitted electronically and inspectors could post inspection results on the system with handheld wireless devices. All of these items would reduce delays in construction schedules currently caused by manual transfer of information. They would also free-up time for clerical staff and inspectors by reducing telephone calls. Inspectors could enter inspection results from the field and reduce the time delay for contractor's access to those results and office time currently needed for this task. I have spoken with one software vendor and received a very rough, ballpark cost for a program with these features. There are several companies offering similar products. This vendor's estimate was about \$250,000 for the initial cost with about \$16,000 in annual license costs.

The division manager coordinates delivery of inspections, fills in for inspectors during vacations, sick days, and periods of additionally heavy workload, resolves disputes between inspectors and contractors, responds to owners complaints regarding contractors, and coordinates training and education of inspectors. With this position vacant, no progress is being made toward use of combination inspectors to reduce trips and increase efficiency. In addition, many commercial building projects are progressing with only periodic spot inspections. The number of inspections that should be performed on these projects simply cannot be performed with existing staff without causing further delays in construction schedules. This practice is not likely to generate many contractor complaints but it does not provide the level of building safety for the public that we should be providing.

DRAFT

Rochester, MN Building Permit Fees

TOTAL VALUATION	FEE
\$1.00 to \$500.00	\$25.00
\$501.00 to \$2,000.00	\$25.00 for the first \$500.00 plus \$2.00 for each additional \$100.00 or fraction thereof, to and including \$2,000.00
\$2,001.00 to \$25,000.00	\$55.00 for the first \$2,000.00 plus \$9.00 for each additional \$1,000.00 or fraction thereof, to and including \$25,000.00
\$25,001.00 to \$50,000.00	\$262.00 for the first \$25,000.00 plus \$6.50 for each additional \$1,000.00 or fraction thereof, to and including \$50,000.00
\$50,001.00 to \$100,000.00	\$424.50 for the first \$50,000.00 plus \$4.50 for each additional \$1,000.00 or fraction thereof, to and including \$100,000.00
\$100,001.00 to \$500,000.00	\$649.50 for the first \$100,000.00 plus \$3.50 for each additional \$1,000.00 or fraction thereof, to and including \$500,000.00
\$500,001.00 to \$1,000,000.00	\$2,049.50 for the first \$500,000.00 plus \$3.00 for each additional \$1,000.00 or fraction thereof, to and including \$1,000,000.00
\$1,000,001.00 and up	\$3,549.50 for the first \$1,000,000.00 plus \$2.00 for each additional \$1,000.00 or fraction thereof
Other Inspections and Fees:	
1. Inspections outside of normal business hours.....\$45.00 per hour (minimum charge – two hours)	
2. Reinspections\$45.00 per hour	
3. Inspections for which no fee is specifically indicated.....\$45.00 per hour (minimum charge – one-half hour)	
4. Additional plan review required by changes, additions or revisions to plans.....\$45.00 per hour	
5. Footing/foundation permits for one and two-family dwellings	
Within ten (10) business days of application.....\$100.00	
If initial plan review is not completed within ten (10) business days of application.....no charge	

6/25/2003

12

DRAFT

Building Plan Review Fees

For structures permitted under the International Residential Code (IRC) the plan review fee shall be 35% of the building permit fee.

For all other structures the plan review fee shall be 65% of the building permit fee.

Similar Plans

The origination fee to establish a master plan for repetitive use is the full normal plan review fee. The origination fee does not include the issuance of a permit.

The plan review fee for similar plans based on an approved master plan is 15% of the building permit fee for IRC structures and 25% of the building permit fee for all other structures.

PROPOSED ~~Electrical, Mechanical, and Plumbing Permit Fees~~

An application fee of \$25.00 shall be assessed for all electrical, mechanical, and plumbing permit applications separate and in addition to any permit fees.

Total value of Work	Permit Fee
\$1.00 to \$500.00	No permit fee
\$501.00 to \$1,000	\$10.00
\$1,000 and up	\$10.00 for each \$1,000.00 of fraction thereof

Fee Refunds

The Building Official may authorize refunding of any fee that was erroneously paid or collected.

The Building Official may authorize the refunding of any permit fee if none of the work authorized by the permit has been performed.

The Building Official shall not authorize refunding of any permit fee paid except upon written application filed by the original permittee not later than 180 days after the date of permit issuance.

Plan review fees, IRC footing permit fees, and application fees shall not be refunded.

6/25/2003

Grading Permit Fees

Cubic Yards	Permit Fee
50 or less	\$25.00
51 to 100	\$40.00
101 to 1,000	\$40.00 for the first 100 cubic yards plus \$18.00 for each additional 100 cubic yards or fraction thereof
1,001 to 10,000	\$202.00 for the first 1,000 cubic yards plus \$15.00 for each additional 1,000 cubic yards or fraction thereof
10,001 to 100,000	\$337.00 for the first 10,000 cubic yards plus \$70.00 for each additional 10,000 cubic yards or fraction thereof
100,000 or more	\$967.00 for the first 100,000 cubic yards plus \$40.00 for each additional 10,000 cubic yards or fraction thereof

Grading Plan Review Fees

Cubic Yards	Plan Review Fee
50 or less	No charge
51 to 100	\$25.00
101 to 1,000	\$40.00
1,001 to 10,000	\$50.00
10,001 to 100,000	\$50.00 for the first 10,000 cubic yards plus \$25.00 for each additional 10,000 cubic yards or fraction thereof
100,000 to 200,000	\$275.00 for the first 100,000 cubic yards plus \$15.00 for each additional 10,000 cubic yards or fraction thereof
200,000 or more	\$410.00 for the first 200,000 cubic yards plus \$10.00 for each additional 10,000 cubic yards or fraction thereof

14

DRAFT

Other Grading Inspections and Fees

1. Inspections outside of normal business hours.....\$55.00 per hour
(minimum charge – two hours)
2. Reinspections\$55.00 per hour
3. Inspections for which no fee is specifically indicated.....\$55.00 per hour
(minimum charge—one-half hour)
4. Additional plan review required by changes, additions,
or revisions to plans..... \$55.00 per hour

PROPOSED